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CONTENTS

	Page
Outstanding Features of American Economic Position	185
An Era of Big "Invisibles"	185
International Credit Position of the United States	186
American Income from Foreign Investments	187
American Income from War Debts	187
The United States as a Depositor for Foreign Funds	188
War Debts, Investments, and the Balance of Trade	188
War Debt Collection and our Merchandise Trade	188
How American Investors are paid Dividends	188
Details of Visible Transactions (Merchandise, Gold and Silver)	191
Details of Invisible Transactions (Tourists' Expenditures, Immigrants' Remittances, New American Investments)	193
Diagram of International Payments, 1926	189
Appendix—Summary of Balance of International Payments	197

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Balance of International Payments of the United States

A Review*

THE significance of our balance of international payments, both as it reveals the present and future economic trend of the United States and as it relates to the pressing problems arising from our position as an important creditor nation, is gradually gaining recognition beyond the field of the academic economist and statistician. The United States Department of Commerce, in publishing its fifth annual study of the Balance of International Payments a few weeks ago, has done much to extend this recognition by supplying to the layman and the business man a comprehensive picture of our economic relationships.

A nation's balance of international payments is a "statement of all the valuable things received from other countries balanced against the valuable things transferred to other countries during a given period of time." It includes not only imports and exports of merchandise and precious metals, "visible" items, but also a host of so-called "invisible" items, such as the expenditures of American tourists in foreign countries and the expenditures of foreign tourists in the

United States; payments of ocean freight charges; money sent abroad for charitable and missionary contributions and immigrants' remittances; interest and dividends on American investments in foreign countries; payments to Americans of interest on foreign investments in the United States; and a number of other items which will be mentioned later.

The *Balance of International Payments for 1926* is by far the most complete survey of its kind ever compiled by any nation. It is much more than a statement of our balance of international payments for the year 1926; it is a summary of our international economic position.

The outstanding features of our economic position as revealed by this study are:

1) The great increase in both relative and absolute importance of the invisible items in our international commercial relations. As Secretary Hoover pointed out in his foreword to the study:

"Our foreign trade is now in an era of big 'invisibles.' The time when our international trade situation could be judged approximately by the

U. S. Department of Commerce. *Balance of International Payments of the United States in 1926.*

balance of merchandise trade and the gold movement is quite past. All three of the invisible items just mentioned (private investments abroad, tourists expenditures, and the yield of our previous foreign investments) were last year much larger than the balance of our merchandise trade; and several other invisible items were of comparable importance. Our favorable merchandise balance was \$377,000,000. Our gifts to foreigners in immigrant remittances and charities were nearly equal to that sum; our payments to them for services to our tourists were twice as large, and our new loans to foreigners and other foreign

investments were three or four times that sum. The amount paid by foreigners to us as interest on our loans and investments abroad was twice as much as the merchandise balance. Even the increase in the bank deposits held by foreigners in the United States was nearly equal to it. In no other year of the present century has our merchandise balance been so completely out-ranked by other items."

The comparative importance of certain visible and invisible items is shown as follows:

Visible Items		Invisible Items	
Merchandise	+\$377,000,000	Tourists' expenditures	—\$646,000,000
Gold	+ 98,000,000	Immigrants' remittances and charity	— 333,000,000
Silver	— 22,000,000	Net yield on foreign investments	— 528,000,000

2) A complete picture is presented of our long-term international creditor position including not only the gross total of foreign securities publicly and privately offered in the United States, but also estimates of direct investments by Americans in foreign

countries, the amount of direct and indirect foreign investments in the United States and significant changes in the international movement of securities. The estimated private investments abroad at the close of the calendar years 1923, 1924, 1925, and 1926 are shown in the following table:

Regions	(Millions of dollars)			
	End of 1923	End of 1924	End of 1925	End of 1926
Europe	1,300	1,900	2,500	3,010
Latin America	3,760	4,040	4,210	4,500
Canada and Newfoundland	2,450	2,600	2,825	2,801
Asia, Australia, Africa and rest of the world	595	690	870	904
Total	8,105	9,230	10,405	11,215

Our position as a creditor nation has been greatly over-estimated by those who measure our growth as a capital exporting nation by the volume of foreign securities floated each year in the United States. It is necessary to consider as well the movement of international securities—the purchase by foreigners of bonds previously held by Americans and the repurchase by Americans of their own securities previously held by foreigners. As Secretary Hoover points out, a detailed record of our international capital transactions "serves to indicate that our net growth as a creditor nation can be by no means

judged by the volume of foreign securities floated each year in the United States. Although American underwriters floated \$1,319,000,000 of foreign securities in 1926, and although there were also some \$330,000,000 of new American foreign investments of other kinds, our net growth as a creditor nation was only \$557,000,000. This sum, it may be noted, would be much smaller if one should consider the increase in deposits of foreigners in American banks as a deduction." A complete statement of new investments as well as the movement of international securities is shown in the following table:

	(Millions of dollars)		
	Credits	Debits	Balance
New American investments abroad .....	....	1,332	—1,332
Changes in previous American investments abroad:			
Bond redemption payments to Americans	250	....	+250
Sinking-fund payments to Americans	20	....	+20
Resale to foreigners of direct investments	200	....	+200
Foreign stocks and bonds sold abroad	286	....	+286
Foreign stocks and bonds bought from foreigners in small lots .....	....	115	—115

New direct investments in United States by foreigners	32	....	+32
Changes in previous foreign investments in United States:			
Redemption and sinking-fund payments to foreigners	....	25	-25
American stocks and bonds sold abroad	636	....	+636
American stocks and bonds bought abroad	....	509	-509
Total of private funded capital items	1,424	1,981	-557-

To be balanced against American holdings of foreign securities are investments of foreigners in the United States. This apparently amounts to much more than is commonly supposed. According to the estimates of the Department of Commerce the permanent investment of foreigners in the United States, exclusive of holdings by aliens residing in this country and exclusive of foreign accounts in American banks, was on December 31, 1925, about \$3,000,000,000. Part of the increase in foreign investments in the United States in recent years, according to the Department of Commerce, results from the "flights of capital" from countries with depreciating currency. "There is evidence that British and Dutch investors are gradually reverting to their pre-war custom of investing in American securities. Canadian holdings here are large and seem to be increasing. American stocks and bonds are regularly bought and sold on all leading stock markets abroad."

3) The income that Americans receive from dividends on private investments abroad is accurately estimated by the Depart-

ment of Commerce. Several investigators have estimated this at about \$750,000,000, but the estimate of the Department of Commerce is more conservative. The total dividend received by Americans on their investments abroad in 1926, according to the study of the Department of Commerce, amounted to \$678,000,000. To be balanced against this are the interest payments that Americans are required to make to foreign investors in this country, which at a rate of 5 per cent upon \$3,000,000,000 amounted to \$150,000,000 in 1926, making a net interest payment to the United States on private investments of \$528,000,000.

4) Thirteen foreign governments paid the United States in 1926 approximately \$195,000,000 in the form of interest and principal on intergovernmental debts (war debts) under the debt-funding agreements. More than \$35,000,000 of this amount were paid on principal and more than \$160,000,000 on account of interest. The following table shows the payments received by the United States Treasury in the calendar year 1926 from foreign governments on account of principal and interest due on their obligations:

Government	Principal	Interest	Total
Belgium	\$1,224,161	\$1,870,000	\$3,094,161
Czechoslovakia	3,000,000	.....	3,000,000
Esthonia	.....	100,000	100,000
Finland	49,000	265,890	314,890
France	386,687	20,367,057	20,753,744
Great Britain	25,000,000	135,900,000	160,900,000
Hungary	10,230	58,886	69,116
Italy	5,000,000	.....	5,000,000
Lithuania	30,225	93,153	123,378
Nicaragua	11,500	601	12,101
Poland	.....	1,500,000	1,500,000
Rumania	200,000	.....	200,000
Russia	.....	14,150	14,150
Jugoslavia	207,112	.....	207,112
Total	\$35,118,915	\$160,169,737	\$195,288,652

5) The extent to which the United States has become a depositor for foreign funds is shown by the fact that foreigners had about \$1,500,000,000 in deposit in our banks at the end of 1926, and that the gross debt of American banks to foreigners was about \$2,250,000,000. The significance of this is pointed out in the study of the Department of Commerce in the following words:

"Along with its great expansion as a long-term creditor nation, the United States has become a great short-term debtor-nation—a deposit-holding nation. This development has upset old-time forces behind our international gold movement. Large quantities of gold have come to us for the payment of nothing. Such gold may have great marginal influence upon our domestic conditions—our gold reserves, credit supply, and prices—but its arrival here had nothing to do with the settlement of our international balances. Such gold may silently vanish again, at any time, regardless of the state of our visible and invisible trade. It follows that prediction of our gold movements has become as impossible as prediction of our merchandise balances."

In addition to these outstanding items of information which reveal the international economic position of the United States, the study throws light on certain very important questions:

1. What effect will the payment of war debts and interest on private American investments have upon the movement of merchandise?
2. What is the probable future of American foreign trade?

WAR DEBTS AND THE BALANCE OF MERCHANDISE

With respect to the first of these questions, namely, as to the effect which the payment of the war debts and dividends on our private holdings of foreign property will have on the movement of capital, certain conclusions are obvious:

- 1) That the payments on account of the war debts are so small in relation to the other items entering into our balance of international payments that their effect upon the movement of commodities is negligible. In 1926 foreign governments paid us \$195,000,000 in the form of interest and principal on war debts; while our exports of merchandise amounted to \$4,808,000,000, and such incidental invisible items as tourists' expenditures and immigrants' remittances and char-

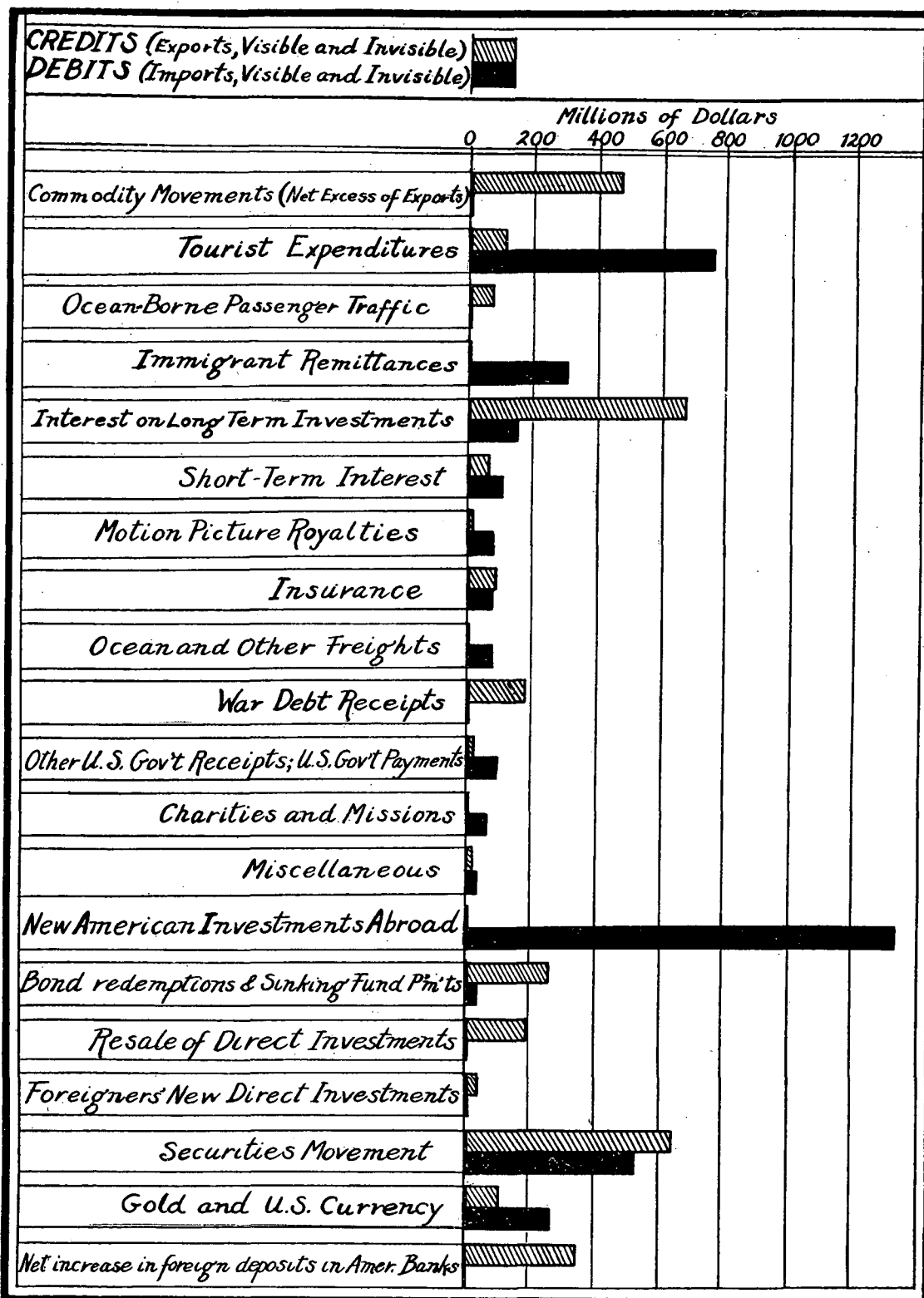
ity amounted to \$741,000,000 and \$333,000,000 respectively. As the study of the Department of Commerce points out:

"The receipts on account of obligations due to our government (war debts), in relation to the other items, form a comparatively small sum. Even the maximum receipts from the war debts (about \$415,000,000)—which will come about sixty years hence when nearly all other items in the balance of payments of our growing nation will probably be larger than now—would be the equivalent of only 8.6 per cent of our merchandise exports in 1926, and only 9.4 per cent of our merchandise imports that year. Our war debt receipts in 1926 totalled about \$195,000,000, or nearly two-thirds the amount twenty years hence."

"There has been much loose reasoning as to the influence of the war debt receipts upon our merchandise trade. It is a serious error to say that the debtor nations can pay us only by shipping us merchandise. Our war-debt receipts are an invisible export. As such they tend to detract from all our other exports—including not only merchandise exports but invisibles—as well as to promote every import, whether visible or invisible. The numerous invisibles will absorb a large part of the influence of the debt payments, and reduction in our merchandise exports may absorb even more. No great increase in merchandise imports is thus to be expected as the result of debt payments, and a part of such increase would be in non-competitive goods on the free list. The reduction in our merchandise exports through war-debt payments will injure us precisely as a labor-saving device would injure us; imports, visible and invisible, will come to us without effort; that is, without our being compelled to produce a corresponding value of visible and invisible exports to exchange for them. A nation is not impoverished by receiving wealth."

HOW AMERICAN INVESTORS ARE PAID DIVIDENDS

The study of the balance of international payments shows the growing importance of the invisible debit items in enabling the United States to receive dividend payments on its foreign investments without drastic changes in the merchandise trade balance. The net amount of interest and dividends paid to Americans in 1926 (with deductions for the amount of interest paid by Americans to foreigners) was \$528,000,000; while the net expenditures of our tourists in foreign countries (with deductions made for tourists in the United States) was \$646,000,000. With the invisible items of the United States running into such tremendous



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Balance of International Payments, 1926

amounts, it should not be difficult for foreigners to secure the necessary dollar exchange with which to pay interest charges to Americans and there is little likelihood of these payments having any marked effect upon our foreign trade.

Although American foreign investments increased during 1926 the net amount of this increase was only \$557,000,000 when the proper deductions are made. This, of course, represents an accumulation of paper claims to property in foreign countries and will in-

crease the annual payments of foreigners to Americans in the form of dividend charges. It is significant, however, only of the fact that we are continuing to export capital abroad. It is, of course, fallacious to assume that the United States is to receive payment of principal on these private obligations in the near future. Foreign investment becomes, in the very nature of the case, a permanent annuity and as long as foreigners continue to pay interest and dividends on the capital invested, there is no cause for concern.

The United States is going through an experience similar to that through which Great Britain passed during the nineteenth century. When this process of accumulating investments in foreign countries will cease, cannot be foretold. The fear that has frequently been expressed that foreigners will be unable to meet their payments on these large investments, however, seems to be quite unfounded.

Providing the loans are economically sound, the holders of the securities may liquidate at any time by selling their securities upon the exchange. The only thing that the situation requires is that they do not all try to do so at the same time. The United States has passed permanently to the position of a capital exporting nation and it is likely that she will continue for an indefinite period of time to export capital abroad.

THE FUTURE OF OUR TRADE BALANCE

With respect to the future of our foreign trade, it is of course impossible to foretell what influences might in the future affect our commodity balance of trade. Certain definite conclusions stand out:

1) Although it has frequently been predicted that because of our position as a creditor nation we shall be forced to accept an adverse balance of trade, there is nothing in our foreign trade relations at the present time that is likely to cause a serious change one way or the other in our trade balance. The prediction that we are entering an era of constantly "unfavorable" trade balances is based upon the belief that the yield on our foreign investments will soon exceed the

volume of our new investments abroad. Whether the yield on our foreign investments actually will exceed the volume of our new foreign investments cannot be predicted with any degree of certainty, but it is reasonably certain that whatever changes take place will come about gradually and that the "favorable" or "unfavorable" balance will not be great either one way or the other. Certainly it is not possible to predict an "unfavorable" balance of trade with any degree of assurance. As the Department of Commerce points out:

"It is true that so-called creditor nations have usually had unfavorable balances of trade. The outstanding case is the United Kingdom. The invisible items of that country, however, bear little resemblance to our own; in particular, certain of our invisible imports are much heavier. Americans in the aggregate spend more on foreign travel and contribute more to foreign missions and charities. As the alien population of the United States is much greater than that of England, our immigrant remittances are probably much greater. As foreign investments in the United States are probably greater than foreign investments in England, we probably have a heavier invisible import in the form of stock and bond dividend payments. Again, the net income from British shipping and the income to British bankers on account of 'short interest and commissions'—invisible exports—are apparently heavier than the corresponding items of our balance of payments. If our large invisible imports should expand as rapidly as the income from our foreign investments, our favorable balance of trade might continue indefinitely."

In continuing, the study points out that our period of heaviest borrowings from abroad, 1875-1910, was one marked by strongly favorable balances in our merchandise trade, and continues:

"To explain that anomaly is to make us cautious in discussing our future balances of trade; the 'detractive' and 'promotive' adjustments of those borrowings from abroad were made exclusively in the invisible items (and gold). The sums borrowed, an invisible export, tended to detract from every other invisible export item and to promote every invisible import item. The invisible items were smaller in that 35-year period than they are now; but they were evidently large enough to absorb all the influence of our foreign borrowings and leave our merchandise trade little affected. When our investments abroad yield us more than we re-lend—and the time may or may not be soon—our foreign investment operations will again constitute a net invisible export. The effect may again be absorbed entirely by other invisibles; or it may not. It is therefore impos-

sible to predict with assurance that the United States will ever have an unfavorable balance of trade."

2) Whether there will be a change from a favorable to an unfavorable balance of trade is really a matter of small concern, since it is not likely that a decrease in relative volume of our exports will come about by a diminution in the absolute amount of our exports. Total exports may expand, but imports may expand more rapidly. We may have an import balance and yet a great export of manufactures.

A summary of the major items in the

balance of international payments for 1926 follows:

The total merchandise exports and imports in 1926 were \$4,808,465,005 and \$4,430,890,381 respectively, the excess of exports being about \$377,000,000. This "favorable" balance of trade is somewhat lower than the "favorable" balance for the five years prior to 1926, but it indicates nothing in the way of a permanent change in our commodity balance. The decline can be accounted for in its entirety by the decline in the price of cotton from an average of 24.2c a pound in 1925 to 17.4c in 1926. A record of our total exports and imports from 1919 to 1926 is shown as follows:

Total Exports and Imports, 1919-1926

Year	Exports	Imports	Excess of Exports
1919	\$7,749,816,000	\$3,904,365,000	\$3,845,451,000
1920	8,080,481,000	5,278,481,000	2,802,000,000
1921	4,378,928,000	2,509,148,000	1,869,780,000
1922	3,765,091,000	3,112,747,000	652,354,000
1923	4,090,715,000	3,792,066,000	298,649,000
1924	4,497,649,000	3,609,963,000	887,686,000
1925	4,818,722,000	4,226,589,000	592,133,000
1926	4,808,465,005	4,430,890,381	377,574,624

Average export balance for period 1922-26, \$561,000,000.

The following table, which shows our merchandise trade by continents, indicates that the decline of the balance in our European trade:

the decline in our "favorable" balance in 1926 is more than accounted for in the decline of the balance in our European trade:

Continents and principal countries	Exports (thousands of dollars)		Imports (thousands of dollars)		Excess of exports (thousands of dollars)		Change in trade position (millions of dollars)
	1925	1926	1925	1926	1925	1926	
TOTALS BY CONTINENTS							
Europe	2,603,750	2,309,706	1,238,181	1,285,870	+1,365,569	+1,023,836	-343
North America	1,138,354	1,176,884	980,534	1,011,669	+157,820	+165,215	+8
Asia	486,592	564,543	1,319,126	1,400,601	-832,534	-836,058	-4
South America	402,606	443,508	518,797	567,979	-116,191	-124,471	-8
Oceania	189,489	212,705	77,808	68,344	+111,681	+144,361	+33
Africa	89,057	101,119	92,144	96,427	-3,087	+4,692	+8
Grand total	4,909,848	4,808,465	4,226,590	4,430,890	+683,058	+377,575	-306

More important than the volume of our foreign trade are the changes which have taken place in the character of our imports and exports. Exports of finished manufactures have been increasing steadily year by year since 1921. In 1926 they comprised more than 41 per cent of our domestic exports as against about 38 per cent in 1925. While exports of crude foodstuffs have continued high, largely because of our heavy

shipments of corn and wheat, semi-manufactured and manufactured foodstuffs have steadily decreased in value. Crude materials, although varying greatly from year to year, have on the whole maintained their relative position owing to the fact that cotton is a constant export varying only with the fluctuation of the prices. The following table shows imports and exports, according to types of commodities, for 1925 and 1926:

Group	Per cent of total			
	EXPORTS		IMPORTS	
	1926	1925	1926	1925
Finished manufactures	41.5	38.2	16.8	18.8
Crude materials	26.8	29.6	40.5	41.4
Semi-manufactures and slightly manu- factured articles	13.9	13.7	18.1	17.9
Manufactured foodstuffs	10.7	11.9	6.4	10.2
Crude foodstuffs and food animals	7.1	6.6	12.2	11.7
TOTALS	100.0	100.0	100.0	100.0

Concurrent with the great increase in the export of manufactured products there has been a steady falling off since the war in the export of agricultural commodities with the exception of cotton and tobacco. We now export relatively less and import relatively more agricultural products than formerly. These changes in the commodity character of our trade reflect the gradual shift of the United States from a predominantly agricultural to a highly industrialized nation, and it is probable that agricultural exports will continue to occupy a position of less and less importance in our foreign trade. This tendency has lead many students to prophesy that the position formerly occupied by the United States as a food-producing country for the rest of the world is likely to be in part supplanted in the future by Russia,

Argentina and Canada. The products of American farms will doubtless come to be absorbed more and more by domestic demands and the United States will perhaps become dependent upon the outside world for at least a portion of its food supply.

In addition to the merchandise exports and imports, the Department of Commerce has attempted to estimate several other visible items which have not heretofore been taken into account, such as sales of coal and oil to foreign vessels; charges for repairs upon foreign ships in American harbors, and American ships in foreign harbors; sale of ships; unrecorded parcel-post shipments; and smuggled liquor imports. The total balance for the year 1926 on all of these visible items, with the exception of gold and silver, is shown as follows:

Commodity Trade	[Millions of dollars]		
	Exports	Imports	Balance
Merchandise exports and imports (as reported) ..	4,808	4,431	+377
Bunker coal and oil sales to foreign vessels	78	20	+58
Ship chandling and ship repairs	10	4	+6
Sale of vessels	1	0	+1
Unrecorded parcel-post shipments	19	25	-6
Contraband liquor imports .....	....	40	-40
Home administration of certain concerns producing imports (deduction)	30	....	+30
	4,946	4,520	+426

GOLD AND SILVER MOVEMENT

In 1926 our silver exports exceeded our silver imports by \$22,661,598. Silver is a regular merchandise commodity in foreign trade, and fluctuates widely.

Year	Net Balance
1920	+\$26,000,000
1921	— 11,000,000
1922	— 8,000,000
1923	— 2,000,000

1924	+ 36,000,000
1925	+ 34,000,000
1926	+ 22,000,000

Contrary to predictions that an excess of gold exports, as in the year 1925, would be continued, there was a net import of gold during 1926 of \$97,796,205. As far as our trade balance is concerned, the exports and imports of gold are of little importance. As the Department of Commerce points out,

there is no relation whatsoever between the movement of gold and the monthly merchandise balances.

"Much of the gold imported is received on deposit, or for conversion into foreign exchange; and much of our gold exports were withdrawals of deposit. Whenever a foreign central bank finds that its gold stocks exceed the minimum reserve against its issue and deposits, it is likely to deposit the excess gold in an American bank. Indeed, in certain countries the central and other banks are permitted to carry part of their minimum gold reserves in foreign exchange. Such a deposit draws interest; whereas if the gold is held in the foreign banks it is an unproductive asset. Our country being most firmly on the gold basis, foreign banks run no risk here of being confronted by a gold embargo, should they have need to withdraw their gold. This consideration seems to outweigh the fact that our interest rates are lower than those of most gold-standard countries. With this strictly deposit business going on, and with the present immense operations in international credit, both short-term and long-term, it is evident that neither do international gold shipments reflect exclusively the settlement of international accounts, nor are they as important as formerly in the settlement of such accounts."

The following table shows the net balance of imports and exports of gold from 1920 to 1926:

Year	Net Balance
1920	—\$ 50,000,000
1921	— 667,000,000
1922	— 238,000,000
1923	— 294,000,000
1924	— 258,000,000
1925	+ 134,000,000
1926	— 98,000,000

TOURIST EXPENDITURES

The largest invisible item in our balance of international payments, with the exception of new foreign investments, is the expenditures of our tourists in foreign countries. This has been a large item in our international balance since 1896. As the Department of Commerce points out:

"The funds spent by American tourists abroad belong to the same general category as immigrants' remittances, and American contributions for religion, science or relief abroad. The goods and services which our tourists purchase abroad are in a sense imports by the American people, although they are not valued by the customs inspector."

Under the general category of tourists' expenditures are included not only the "expenditures of tourists" but also those of Americans living in foreign countries permanently. The group of people residing more or less permanently in foreign countries includes not only persons of great wealth, but also students and persons of small means who must live cheaply. A summary of the expenditures of American tourists by classes is shown by the Department of Commerce in the following table:

Services to American Tourists	
Americans permanently residing	
abroad	\$30,000,000
"Alien-American" tourists	60,000,000
American tourists, overseas	456,000,000
American tourists, Canadian border .	200,000,000
American tourists, Mexican border ..	15,000,000
Total	761,000,000

To be balanced against services rendered by foreigners to American tourists are the expenditures of foreign tourists in the United States. These are shown in the following summary:

Services to Foreign Tourists	
Foreign visitors here, Canadians and	
Mexicans excluded	\$60,000,000
Canadian border visitors	40,000,000
Mexican border visitors	15,000,000
Total	115,000,000

Tourist traffic in 1926, therefore, constituted a net invisible import of about \$646,000,000. For the purpose of comparing this with tourists' expenditures in previous years, the following table is given:

Year	Net Balance
1920	—\$150,000,000
1921	— 200,000,000
1922	— 300,000,000
1923	— 400,000,000
1924	— 500,000,000
1925	— 560,000,000
1926	— 646,000,000

FREIGHT PAYMENTS AND RECEIPTS

In the early history of the United States the American Merchant Marine enjoyed its full share of the carrying trade of the world. At the time of the Civil War, however, our Merchant Marine virtually passed from the

seas and was not revived again until the World War. Since the war the earnings of the Merchant Marine have been declining rapidly. American payments for foreign shipping services and foreign payments for American shipping services in 1926 are estimated as follows:

	(Millions of dollars)		
	Exports	Imports	Balance
Overseas and Great Lakes Traffic	113	75	-62
American Railway earnings on transit traffic	16	2	+14
Payments for foreign inland freight on United States		20	-20
Balance for all freight payments and receipts ...			-68

The following table shows the extent to which the favorable balance of ocean freight payments during the post-war years has been cut down in the last few years:

Year	Net Balance
1920	+\$93,000,000
1921	+ 33,000,000
1922	+ 7,000,000
1923	- 8,000,000
1924	+ 8,000,000
1925	- 8,000,000
1926	- 68,000,000

IMMIGRANTS' REMITTANCES AND CHARITY

Fifteen million persons of foreign birth living within the United States make regular remittances to their friends and relatives abroad in the form of drafts, currency and postal money orders. The goods and services purchased with these funds are properly regarded by the Department of Commerce as invisible imports, since "residents of the United States when they make money gifts to persons abroad consume foreign goods by proxy instead of importing them to consume in person." The Department of Commerce estimates that \$322,000,000 were sent abroad in 1926 in the form of immigrants' remittances, from which \$35,000,000 must be deducted, which it is estimated has been brought in by immigrants, leaving a net invisible import of \$287,000,000 for immigrants' remittances.

Since the war there has been a decrease

in American contributions to foreign missions, relief, education and scientific research. The total of these free contributions abroad in 1926 is estimated by the Department of Commerce at \$46,135,000.

The estimates of the amount sent abroad in the form of immigrants' remittances and charity for the last seven years are shown as follows:

Year	Net Balance
1920	-\$700,000,000
1921	- 500,000,000
1922	- 400,000,000
1923	- 360,000,000
1924	- 355,000,000
1925	- 360,000,000
1926	- 333,000,000

YIELD ON AMERICAN INVESTMENTS ABROAD

Interest and dividends on the total of American investments abroad including both private investments and war debts are shown as follows:

Dividend upon American investments abroad	\$678,000,000
Interest on intergovernmental debts	160,000,000
	838,000,000
Less interest paid on foreign investments in the United States	150,000,000
Total net interest and dividends ..	\$688,000,000

The payments to the United States under these items since 1920 are as follows:

Year	Net Balance
1920	+\$ 50,000,000
1921	+ 80,000,000
1922	+ 351,000,000
1923	+ 417,000,000
1924	+ 464,000,000
1925	+ 515,000,000
1926	+ 688,000,000

The yield on short-term investments abroad is shown as follows:

Collected from foreigners	+\$57,000,000
Paid to foreigners abroad	- 78,000,000

Leaving a favorable invisible net import balance of \$21,000,000

This is the first year that estimates have been made of this item.

There is also a large group of miscellaneous invisible items which play an important part in the international balance of payments of the United States. These items for 1926 are shown in the following table:

	Exports	Imports	Balance
Motion-picture royalties	75	4	+71
Insurance transactions	80	70	+10
Imports of Canadian electric power .....	..	12	-12
Foreign subscriptions to American press	5	1	+4
American advertising abroad	1	8	-7
Cable charges	5	..	+5
	166	95	+71

NEW PRIVATE AMERICAN INVESTMENTS ABROAD IN 1926

Foreign securities and other foreign investments are the largest invisible imports of the United States. These imports for 1926 fall under two categories: first, foreign capital issues publicly offered in the United

States, which amounted to \$1,200,000,000; and second, foreign issues privately taken in the United States and direct investments abroad, which are estimated at \$330,000,000.

The total foreign capital issues publicly offered in the United States, year by year since 1919 are shown in the following table:

Period	Nominal capital Dollars	Refunding Dollars	Net nominal value Dollars	Number of issues
1919	813,244,700	250,920,300	562,324,400	81
1920	591,093,357	51,000,000	540,093,357	99
1921	675,112,963	44,105,083	631,007,880	109
1922	828,399,284	146,121,300	682,277,984	136
1923	495,662,100	82,000,000	413,662,100	73
1924	1,209,800,000	331,800,000	878,000,000	103
1925	1,274,967,000	243,760,000	1,031,207,000	152
1926	1,318,554,850	183,895,200	1,134,659,650	214

The distribution of foreign capital issues publicly offered in the United States in 1926 is shown by the following table:

Principal countries and grand divisions	Number of issues	Total nominal (par) capital subscribed by Americans	Estimated refunding to Americans	Estimated new nominal capital
Governmental, provincial, and municipal issues, including corporate issues offi- cially guaranteed:				
Germany	16	\$103,000,000	\$5,000,000	\$98,000,000
Rest of Europe	12	96,337,500	6,000,000	90,337,500
Canada	23	120,777,800	40,800,000	79,977,800
Latin America	34	317,708,200	34,150,000	283,558,200
Far East	1	19,740,000	.....	19,740,000
Territorial possessions	8	11,672,500	.....	11,672,500
Total	94	669,236,000	85,950,000	583,286,000
Corporate issues:				
Germany	40	198,454,200	.....	198,454,200
Rest of Europe	18	114,237,350	6,000,000	108,237,350
Canada	37	175,813,000	17,328,000	158,485,000
Latin America	18	141,127,400	69,697,900	71,429,500
Far East	2	12,000,000	.....	12,000,000
Territorial possessions	5	7,686,900	4,919,300	2,767,600
Total	120	649,318,850	97,945,200	551,373,650
Total issues:				
Germany	56	301,454,200	5,000,000	296,454,200
Rest of Europe	30	210,574,850	12,000,000	198,574,850
Canada	60	296,590,800	58,128,000	238,462,800
Latin America	52	458,835,600	103,847,900	354,987,700
Far East	3	31,740,000	.....	31,740,000
Territorial possessions	13	19,359,400	4,919,300	14,440,100
Total	214	1,318,554,850	183,895,200	1,134,659,650

Foreign issues privately taken in the United States and direct investments abroad, in their geographical distribution, are shown as follows:

Issuer	Estimated amount taken in United States
Germany	\$61,634,610
Rest of Europe	131,422,650
Canada	25,040,000
Latin America	56,160,000
Far East	9,066,600
Total	\$283,323,860

In order to allow for numerous omissions, this total is raised to \$330,000,000.

CHANGES IN PREVIOUS AMERICAN INVESTMENTS ABROAD

Large quantities of investments previously held in the United States have been bought back by foreigners in the form of bond redemptions to Americans, sinking fund payments, resale to foreigners of investments bought by Americans, etc. These transfers are recorded by the Department of Commerce under the following four heads:

	Exports
Bond redemption payments to Americans	250,000,000
Sinking-fund payments to Americans	20,000,000

Resale to foreigners of direct investments	200,000,000
Foreign stocks and bonds sold abroad	286,000,000
Total	756,000,000

Meanwhile, during the year 1926, foreigners made direct investments in the United States amounting to \$32,000,000 and bought American stocks and bonds amounting to \$636,000,000, making a total of foreign investments in the United States of \$668,000,000. This was largely offset, however, through the repurchase by Americans of \$509,000,000 worth of American stocks and bonds which had previously been held by Europeans.

UNFUNDED INDEBTEDNESS

As has been mentioned in another section of this report, the United States has recently become a short-term debtor nation,—a deposit-holding nation. The estimated net change in our international banking transactions during the year amounted to \$359,000,000. This amount is entered as an invisible export in the table of international payments since it is assumed by the Department of Commerce "that foreigners paid us or deposited with us that net sum."

ANNEX I

I. Estimated Balance of International Payments of the United States,
Calendar Year, 1926

[Millions of dollars]

Items	Exports (visible and in- visible) and cash receipts (credits)	Imports (visible and in- visible) and cash payments (debits)	Balance
MISCELLANEOUS ITEMS			
Commodity trade:			
Merchandise exports and imports (as reported).....	4,808	4,431	+377
Silver.....	92	70	+22
Bunker coal and oil sales to foreign vessels.....	78	20	+58
Ship chandling and ship repairs.....	10	4	+6
Sale of vessels.....	1	0	+1
Unrecorded parcel-post shipments.....	19	25	-6
Contraband liquor imports.....		40	-40
Home administration of certain concerns producing imports (deduction) ¹	30		+30
Total.....	5,038	4,590	+448
Freight payments and receipts:			
Overseas and Great Lakes traffic.....	113	175	-62
American railway earnings on transit traffic.....	16	2	+14
Payments for foreign inland freight on United States imports.....		20	-20
Tourist expenditures.....	115	761	-646
Ocean-borne passenger traffic.....	63		+63
Yield of long-term private investments:			
Received from our investments abroad.....	678		+678
Paid to foreign investors in United States.....		150	-150
Yield of short-term interest and commissions:			
Collected from foreigners abroad.....	57		+57
Paid to foreigners abroad.....		78	-78
Immigrants' remittances.....	35	322	-287
War-debt receipts of United States Treasury:			
Interest.....	160		+160
Principal.....	35		+35
Other United States Government receipts; United States Government payments.....	17	68	-51
Charitable and missionary contributions.....		46	-46
Motion-picture royalties.....	75	4	+71
Insurance transactions.....	80	70	+10
Miscellaneous minor items:			
Imports of Canadian electric power.....		12	-12
Foreign subscriptions to American press.....	5	1	+4
American advertising abroad.....	1	8	-7
Cable charges.....	5		+5
Total of current items.....	6,493	6,307	+186
MOVEMENT OF PRIVATE, FUNDED CAPITAL			
New American investments abroad ²		1,332	-1,332
Changes in previous American investments abroad:			
Bond redemption payments to Americans.....	250		+250
Sinking-fund payments to Americans.....	20		+20
Resale to foreigners of direct investments.....	200		+200
Foreign stocks and bonds sold abroad ³	286		+286
Foreign stocks and bonds bought from foreigners in small lots.....		115	-115
New direct investments in United States by foreigners.....	32		+32
Changes in previous foreign investments in United States:			
Redemption and sinking-fund payments to foreigners.....		25	-25
American stocks and bonds sold abroad.....	636		+636
American stocks and bonds bought abroad.....		509	-509
Total of private funded capital items.....	1,424	1,981	-557
PURE-CASH ITEMS ⁴			
Gold.....	116	214	-98
United States paper currency.....		40	-40
Total gold and currency.....	116	254	-138
Grand total, all items.....	8,033	8,542	-509
UNFUNDED ITEMS			
Net change in international banking accounts, as revealed by ques- tionnaire.....	359		+359
Discrepancy, due to errors and omissions.....			-150

¹Not an export. Entered in credit column as a deduction from the merchandise debit.²Net sum (compiled and estimated) made available in foreign countries on account of publicly offered and privately taken foreign loans and direct American investments abroad, after deductions for refunding, for underwriters' commissions and for bond discounts.³Some of these foreign securities are known to have been acquired earlier in 1926; so they are not exclusively "previous American investments abroad."⁴Observe that imports (receipts) of gold and currency appear in the debit column, while all other entries in the debit column are, predominantly, cash payments; the credit column contains similarly divergent entries.

II. Estimated Balance of International Payments, 1920-1926¹

(Millions of dollars)

Items	1920	1921	1922	1923	1924	1925	1926
CREDITS							
Current items, visible:							
Exports of merchandise (net, adjusted)...	2,950	1,976	734	388	970	666	426
Exports of silver (net).....	26				36	34	22
Exports of gold (net).....						134	
Exports of United States currency (net).....	103			50			
Current items, invisible:							
Interest on foreign investments (net).....	50	80	² 351	² 417	² 464	² 515	² 688
Ocean-freight payments (net).....	93	33	7		8		
Motion-picture royalties.....						75	71
Miscellaneous for 1926 ¹							96
Total.....	3,222	2,089	1,092	855	1,478	1,424	1,303
Capital items:							
Foreign loans paid off.....	571	255	78	23	45	140	470
Sales of securities to foreigners.....		48	216	412	319	411	298
Principal of debts to United States Government.....			31	91	23	27	35
Miscellaneous for 1926 ¹							32
Total.....	571	303	325	526	387	578	835
Total credits.....	3,793	2,392	1,417	1,382	1,865	2,002	2,138
DEBITS							
Current items, visible:							
Imports of silver (net).....		11	8	2			
Imports of gold (net).....	50	667	238	294	258		98
Imports of United States currency (net).....		100			50	62	40
Current items, invisible:							
Governmental expenditures abroad.....	305	50	16	19	5	5	5
Ocean-freight payments (net).....				8		8	62
Immigrants' remittances (net) and charity.....	700	500	400	360	355	360	333
Tourists' expenditures (net).....	150	200	300	400	500	560	646
Miscellaneous for 1926 ¹							106
Total.....	1,205	1,528	962	1,083	1,168	995	1,290
Capital items:							
New foreign bond issues in the United States ²	506	665	637	363	795	920	1,002
Other foreign investments of American capital.....	939	427	⁴ 326	⁴ 54	⁴ 114	⁴ 90	330
Miscellaneous for 1926 ¹							25
Total.....	1,445	1,092	963	417	909	1,010	1,357
Total debits.....	2,650	2,620	1,925	1,500	2,077	2,005	2,647
Excess of credits (+) or debits (-) on current transactions.....	+2,017	+561	+130	-228	+310	+429	+13
Excess of credits or debits on capital transactions.....	-874	-789	-638	+109	-522	-432	-522
Excess of credits or debits on all transactions of the year.....	+1,143	-228	-508	-119	-212	-3	-509
Net change in foreigners' bank deposits and book accounts as revealed by questionnaires.....			+375	+3	+216	-61	+359
Balance representing errors and omissions.....			-133	-116	+4	-64	-150

¹This table is included for the convenience of those who have followed antecedent tables in previous bulletins. Additional items have been included from time to time, especially motion-picture royalties beginning with 1925, and numerous items for the first time in 1926. The new 1926 items are grouped at their net amount under "miscellaneous for 1926." There are also certain disparities of varying importance in several of the items (and totals) appearing every year, especially as between 1926 and earlier years. The word "net" in the table indicates that there are partly offsetting amounts on the opposite side of the account.

²Includes interest received by the United States Government from foreign countries.

³The data given for 1919, 1920, and 1921 are not comparable with each other nor with later years.

⁴Securities only.